

EAGC-COMPETE Partner Funding Support Report 4th Quarter Progress Report (October – December 2009)

This report from Eastern Africa Grain Council (EAGC) Secretariat is for the 4th Quarter and covers the activities carried out.

1. ADMINISTRATION AND OPERATIONS

1.1 Quarterly activity and financial reports

The Secretariat produced all quarterly activity and financial reports that were submitted to the Board of Directors for update and review. To show the status of the program activities, the board was presented with the mid-annual report (Jan-June 2009) during the meeting on 16th September 2009.

1.2 Recruitment of more staff

The Secretariat identified and recruited following staff in the 4th Quarter 2009.

1. Finance and Admin Assistant-Uganda (reported in October 2009)
2. Program Manager-Structured Trading Systems (STS) (reporting in February 2010)
3. Market Information & Communication manager (reporting in February 2010)
4. Monitoring & Evaluation specialist (reporting in February 2010)
5. Country Manager-Kenya (reporting in February 2010)

1.3 Board meetings

One Board meeting was held in the 4th quarter 2009 on 4th November 2009 and the following issues were discussed:

- a) Technical & Financial Reports and Updates
- b) Human Resource Manual (policy & procedures)
- c) Presentation of COMPETE Strategy

1.4 Regional country leadership strengthened

i) Financial and administrative policy manual developed and approved for use.

The EAGC Finance and administrative policy manual containing policies and procedures was developed and presented to the board for approval. This was meant to guide EAGC on financial and administrative operations.

ii) Office locations identified, equipment, furniture and vehicles procured

With the recruitment of more staff, EAGC secretariat required a bigger office. A new office was acquired in November 2009 and the secretariat was moved from Hevea Park to Maple Court in Westlands area. In Uganda, EAGC also acquired an office.

Part of the EAGC 2009 work plan was to have running offices in Uganda and Tanzania. The Uganda office was acquired with the support of USAID/COMPETE. The office space has five (5) offices. USAID/COMPETE and EAGC Uganda are sharing the office. EAGC Tanzania identified an office and is working on a lease agreement.

iii) National strategic plans linked to EAGC plan

The support from SIDA fueled the EAGC's zeal to expand and manage its strategic activities to strengthen the promotion of structured grain trade, generate and disseminate reliable market information, improve the trade

policy environment, and strengthen its capacity building on issues related to grain trade.

The SIDA assistance has also supported the establishment of EAGC country offices to translate the Secretariat's policies into local programs for implementation. The Uganda office is the first to be established under this arrangement and it begun its life by drafting a focused plan of action within which local programs will take their bearing.

▪ **EAGC Uganda members embark on Strategic Plan**

This Strategic Plan, covering the period 2009-14 is designed to supplement the solid start of the Secretariat. It sets the strategic objectives that EAGC Uganda will pursue over the next 5 years. The purpose of the plan is to provide clarity on the role and place of the Uganda office within the EAGC focal countries. It sets structures that will support the ambitions set out within the plan and identifies the resource required to implement them.

Through this strategic plan, EAGC Uganda aims to play a more aggressive role in developing, promoting, and influencing structured grain trading in Uganda. It will aim to do this by adapting and adopting the defined regional rules and regulations championed by the Secretariat. This is in recognition of the fact that grain is a core sector for economic growth, food security, income enhancement and employment in Uganda.

The design and implementation of EAGC Uganda's programs will be guided by a detailed understanding of the country and its main crops, levels of production, location and importance of markets, and constraints to national grain trade. The country office will continuously assess and align national programs to the changing external environment through constant market analysis. Working with grain farmers (large and small), traders, processors, government, quasi-government institutions, development agencies, NGOs, WFP, research and institutions of higher learning, private sector, and the EAGC Secretariat, market intelligence will be gathered on all aspects of grain production and trade. The in-country interventions will result in more markets and trading opportunities in grains that will encourage farmers to adopt sustainable agricultural technologies.

▪ **EAGC Tanzania engage stakeholders in its First Strategic Plan meeting**

The purpose of this strategic planning meeting held on the 1st December 2009 was to provide an opportunity for stakeholders (farmers, traders, processors and government institutions) to state their business case, both as individuals and as a team, to set the direction for EAGC –Tanzania and understand the contribution of EAGC participation in the Tanzania grain trade. A total of 17 participants attended from a range of stakeholders.

The performance of EAGC- Tanzania as viewed by the participants would be measured by looking into issues of increased membership, commitment to the council, assessing how many objectives have been achieved. As the way forward, the following were suggested:

- Commence strategic write up by December 2009
- Test embryonic strategy with board and other sources of inspiration
- Complete country strategic plan by February 2010
- Complete implementation plan and guidelines by February 2010
- Present the strategic plan at the first board meeting following completion.

2. MEMBERSHIP DEVELOPMENT

EAGC recruited new corporate members to the Council. The total members as at December 30th 2009 stood at 67. However, 29 farmer groups in Kenya also joined EAGC as Recorded Affiliates. Below are the new EAGC corporate members.

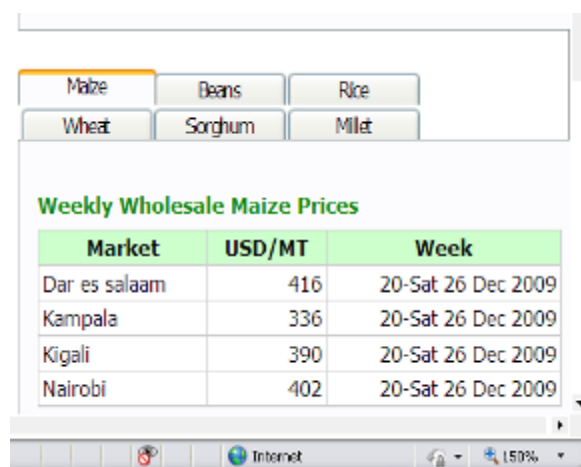
New EAGC corporate members

| | | |
|--|-----------|----------|
| i) Chemiphar (UG) Ltd | Affiliate | Uganda |
| ii) GrainPro Inc | Associate | Kenya |
| iii) Smart Logistics Solution Ltd | Active | Kenya |
| iv) Rural Urban Development Initiatives | Affiliate | Tanzania |
| v) United Millers Ltd | Active | Kenya |
| vi) Agricultural Market Development Trust-AGMARK | Affiliate | Kenya |
| vii) Kinoni Produce Farm LTD | Active | Uganda |
| viii) Union Service Stores LTD | Active | Tanzania |

3. MARKET INTELLIGENCE THROUGH RATIN

i) Reported commodities increase from 3 to 6 and country coverage expanded

The RATIN website increased the reported commodities from 3 (maize, beans, and rice) to 6 with additional commodities being sorghum, wheat and millet. The price monitors were engaged in reporting the prices while the border monitors reported on cross border volumes.



ii) An electronic trading platform established

In an effort to link small grain traders/producers and large enterprises, such as processors, government institutions and food aid agencies, EAGC established an electronic grain trading platform where *offers to sell* and *bids to buy* are posted. This system is a good initiative for farmers who require the trade linkage in order to enhance competitiveness between the large traders and trade associations comprising of small traders. Through trade linkage, small traders increase trade through access to markets. On the other hand, there is traceability of commodities as well as transparency of transactions since prices and volumes of the traded commodities are posted on the trading platform. To create awareness on the system, two workshops were held in Nakuru and

Eldoret in Kenya. A total of **33578 bags (33.6 MT)** offers and **11,000 MT** bids were posted on trade link in 2009. However EAGC linked farmers directly to buyers as shown in table 2 below:

Farmers groups linked to maize buyers

| SELLER | VOLUME | FARM GATE PRICE/BAG | SELLING PRICE/BAG | BUYER |
|---------------------------|-----------|---------------------|-------------------|--------------------------|
| Noigan group-Kitale | 450 bags | Ksh 1600 | Ksh 2000 | Small miller-Nakuru |
| Kachibora Group-Kitale | 200 bags | Ksh 1600 | Ksh 1600 | Kitale Industries |
| Kiungani Group-kitale | 50 bags | Ksh 1800 | Ksh 2100 | Kitale Industries |
| Mr. Ondari & Wafula | 2000 bags | Ksh 1900 | Ksh 2100 | Export Trading CO. Ltd |
| Seum Group-Kitale | 200 bags | Ksh 1900 | Ksh 2100 | Small Miller-Baringo |
| Naiberi Group-Eldoret | 800 bags | Ksh 2000 | Ksh 2240 | Export Trading CO. Ltd |
| Milangini Group-Nyandarua | 200 bags | Ksh 1700 | Ksh.2400 | Budget Millers-Nyahururu |
| Mr. Peter Imbisi | 50 bags | Ksh 2000 | Ksh.2190 | Export Trading CO. Ltd |

Offers and bids posted on tradellink site as at 30th September 2009

| Ref No. | Commodity | Volume | Unit | Offer Amount | Bid Amount | Origin | Warehouse | Posted on | Trader |
|------------|-----------|--------|----------|--------------|------------|------------------------|-----------------|-----------|------------------------|
| MA-17/2009 | Maize | 1000 | 90KG Bag | KES 2,400 | | Kenya - Kilgoris | N/A | 15 Sep 09 | Ngendael Farmers Group |
| MA-16/2009 | Maize | 2500 | 90KG Bag | KES 2,300 | | Kenya - Kilgoris | N/A | 30 Sep 09 | Koptigei Widows Group |
| MA-13/2009 | Maize | 10000 | 90KG Bag | KES 2,350 | | Kenya - Not Applicable | Kilgoris | 21 Aug 09 | Olchebesi S.H.G |
| MA-12/2009 | Maize | 20000 | 90KG Bag | KES 2,150 | | Kenya - Mombasa | MIRITINI GODOWN | 11 Aug 09 | Brema Enterprises |

Offers and bids posted on tradellink site between 30th September and 30th Dec.2009

| Ref No. | Commodity | Volume | Unit | Offer Amount | Bid Amount | Origin | Warehouse | Posted On | Trader |
|------------|-----------|--------|----------|--------------|------------|---------------|-------------------------------|-----------|----------------------------|
| MA-22/2009 | Maize | 78 | 90KG Bag | KES 2,400 | | Kenya -Kitale | Kitale-Export Trading Co. Ltd | 29-Dec-09 | Temu- Yuya Farmers Group |
| MA-21/2009 | Maize | 50 | 90KG Bag | KES 2,300 | | Kenya -Kitale | Kitale-Export Trading | 18-Dec-09 | Peter Imbisi |
| MA-20/2009 | Maize | 10000 | MT | | USD 320 | Kenya -Kitale | Kitale | 14-Nov-09 | World Food Programme Kenya |
| MA-19/2009 | Maize | 1000 | MT | | USD 310 | Uganda-Arua | Mombasa | 11-Nov-09 | World Food Programme Kenya |

iii) Data dissemination improved through SMS, bulletins and internet

EAGC maintained the RATIN and EAGC sites as a source of market information. Price and data monitors were involved in collection of commodity prices and informal cross-border volumes for update of RATIN databases. Both EAGC and RATIN websites have been active with daily update of regional commodity prices for selected markets and import parity prices.

RATIN website: It was kept updated with daily market prices for key terminal markets. Additional markets in Tanzania viz; Iringa, Songea, Arusha and Mbeya are now being monitored.

RATIN bulletin: the monthly RATIN bulletin continued to be generated and disseminated in electronic copies to 1611 subscribers and EAGC members. The bulletins were also available to the public on the website. These bulletins have been a source of market information to stakeholders especially those with internet connectivity.

RATIN SMS: To assist the stakeholders in the grain industry that cannot access commodity prices through internet, EAGC initiated an SMS facility which has been tested and it's now operational. SMS codes for Kenya, Tanzania and Uganda were set up and tested by CELLNET-Kenya Ltd. A launch of SMS facility was done in Uganda on 8th April'09. A code for Rwanda has been set –up and it will be tested soon.

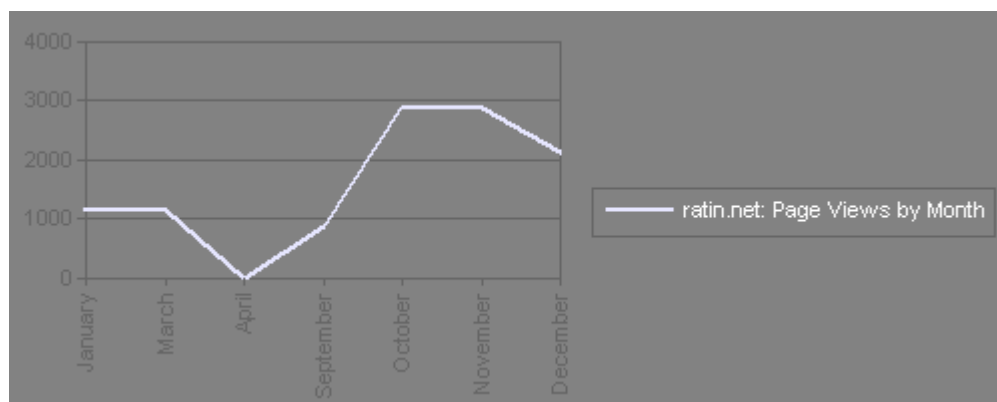
RATIN SMS is a low-cost, highly implementable cell phone based platform that seeks to redress lack of market information. To receive an SMS you pay far less compared to making a phone call or web access. The benefits of SMS also center on convenience and flexibility since the SMS facility connects farmers, traders and processors to the market. EAGC has approached Air Networks Ltd to set up a system of delivery of notifications and alerts to subscribers once they register to receive alerts on market prices. Currently, the most users of RATIN SMS are farmers who cannot access the prices through the web. So far the SMS hits since January 2009 are shown below:

| | |
|---|--|
| Ratin Maize ServiceID: MAIZE 8000/6023 (Safaricom & Zain) (Revenue per hit: 3/-) Total: 1103 | Sorghum Prices ServiceID: SORGHUM 8000 (Safaricom & Celtel) (Revenue: 2/-) Total: 6 |
| Ratin Beans ServiceID: BEANS 8000/6023 (Safaricom & Zain) (Revenue per hit: 3/-) Total: 98 | Millet Prices ServiceID: MILLET 8000 (Safaricom & Celtel) (Revenue: 2/-) Total: 3 |
| UG Millet ServiceID: UGMILLET 7197 (Uganda Only) (Revenue: 3/-) Total: 1 | Ratin Wheat ServiceID: 3 WHEAT 8000 (Safaricom & Celtel) (Revenue: 2/-) Total: 27 |
| UG Beans ServiceID: UGBEANS 7197 (Uganda Only) (Revenue: 3/-) Total: 1 | Ratin Rice ServiceID: RICE 8000 (Safaricom & Celtel) (Revenue: 2/-) Total: 30 |
| UG Maize ServiceID: UGMAIZE 7197 (Uganda Only) (Revenue: 3/-) Total: 17 | |

WEB STATISTICS FOR WWW.RATIN.NET

Table 5: Summary of RATIN Web statistics

| Start | End | Page Views | Visitors | Average |
|----------|-----------|------------|----------|---------|
| 1 Jan 09 | 31 Dec 09 | 11,125 | 2,120 | 5.2 ppv |

Fig.1 RATIN Page Views by Month**Summary RATIN Web views by month**

| Month Views | | Month Views | | Month Views | | Month Views | |
|---------------|--|---------------|--|----------------|--|----------------|--|
| January 1,160 | | April 2 | | October 2,916 | | December 2,121 | |
| March 1,152 | | September 882 | | November 2,892 | | | |

Table 7:RATIN Traffic by Country

| Country | Views | Country | Views |
|-----------------------------|-------|--------------------|-------|
| Kenya | 60 | Pakistan | 3 |
| United States | 45 | Denmark | 3 |
| Cote d'Ivoire | 24 | Satellite Provider | 3 |
| United Kingdom | 20 | Luxembourg | 3 |
| Tanzania United Republic of | 18 | Myanmar | 2 |
| Uganda | 14 | Switzerland | 2 |
| South Africa | 13 | Netherlands | 2 |
| Rwanda | 11 | Mauritius | 2 |
| Italy | 9 | Singapore | 2 |

| | | | |
|----------|---|-----------|---|
| India | 8 | Sweden | 2 |
| Nigeria | 6 | Australia | 2 |
| Germany | 5 | Egypt | 2 |
| Ghana | 5 | Ireland | 2 |
| China | 4 | Norway | 1 |
| Japan | 3 | | |
| Ethiopia | 3 | | |

WEB STATISTICS FOR WWW.EAGC.ORG

Summary of EAGC Web statistics

| Start | End | Page Views | Visitors | Average |
|----------|-----------|------------|----------|---------|
| 1 Jan 09 | 31 Dec 09 | 19,511 | 2,848 | 6.9 ppv |

EAGC website page views by month

| Month Views | Month Views | Month Views | Month Views |
|-------------|-------------|-----------------|----------------|
| January 927 | May 1,608 | August 1,990 | November 3,127 |
| March 788 | June 1,107 | September 1,979 | December 1,568 |
| April 1,002 | July 2,466 | October 2,949 | |

EAGC website traffic by country

| Country | Views | Country | Views |
|---------|-------|---------|-------|
| Kenya | 153 | Rwanda | 2 |

| | | | |
|-----------------------------|----|--------------------|---|
| United States | 29 | Sweden | 2 |
| Uganda | 19 | Nigeria | 2 |
| Tanzania United Republic of | 15 | Ghana | 2 |
| United Kingdom | 9 | Sudan | 1 |
| South Africa | 8 | Singapore | 1 |
| Cote d'Ivoire | 8 | Malaysia | 1 |
| Italy | 5 | Togo | 1 |
| France | 4 | Germany | 1 |
| China | 4 | Denmark | 1 |
| Norway | 4 | Japan | 1 |
| Mauritius | 3 | Satellite Provider | 1 |
| Switzerland | 3 | Europe | 1 |
| Zambia | 3 | Ecuador | 1 |
| Netherlands | 3 | | |
| Senegal | 3 | | |

iv) Collaboration with other MIS to support RATIN

RATIN maintained a close link with other MIS providers for instance FEWSNET and Ministries of Agriculture in Kenya, Tanzania and Rwanda that enabled generation of monthly RATIN bulletins which were disseminated through e-mails. EAGC is working towards establishing links with other national MIS providers in the region e.g. ACE-Malawi and FIT Uganda.

v) Cross Border Trade Issues

EAGC's main goal is to facilitate regional trade and reduce constraints to trade. The border monitors continued to bring important cross border issues to the Council. They reported that in 2009, 137,391MT and 136,326 MT of maize and beans respectively crossed from Uganda to Kenya, 67,700MT of maize crossed from Tanzania to Kenya while 39,920 MT of maize moved into Uganda from Rwanda. EAGC is planning to increase coverage by monitoring Uganda/Sudan, Tanzania/Malawi, and Uganda/DRC borders.

vi) Mapping of regional production and commodity flows in East Africa

The knowledge of regional commodity flow maps is critical for understanding cross-border flows that are relevant to food security analysis and early warning. A one-day workshop on regional mapping of commodity flows organized by FEWSNET was held on 30th November 2009. EAGC actively participated in the workshop. The objective of the workshop was to bring experts on regional production and trade in East Africa to examine regional commodity and market flows and create draft production and commodity flow maps for the East Africa region, including Rwanda and Burundi.

Specifically, to achieve this objective the workshop:

- Identified the key commodities traded between countries in East African region and the main cross-border trading stations involved;
- Delineated the surplus and deficit production areas for the key commodities identified above;

- Identified the main flows of commodities highlighting main characteristics such as direction and magnitude;
- Determined whether seasonal maps need to be created and if so, determine the seasonal periods applicable.

5. STRUCTURED TRADING SYSTEMS

i) Training on Rules of Trade & Contracts in Uganda

Training of farmers on rules of trade and contracts was conducted on Friday 18th December 2009 in Uganda-Iganga district. Participants were drawn from the districts of Bugiri, Mayuge, Kaliro, Namutumba, Kamuli and Iganga. The choice of the district was determined by the fact that a farmers' group, Nakisenhe Adult Literacy Group with roots in many parts of Eastern region expressed interest in collaboration with EAGC. This is a registered organization whose initial activities focused on adult education with certain groups involved in farming. Since they were beginning to harvest grain, it was the best time to conduct training on the use of contracts. A total of 43 participants from 10 different organizations were represented at the training. These ranged from FBOs, value chain platforms to government institutions. Only two women attended the training. At the end of the workshop, 14 members registered for the use of contracts and a follow-up would be done to ensure that they are actually used.

ii) Facilitate participation of new warehouse operators in WRS

The 2008/09 cropping season was not good for WRS due to government interference in the market. This led to putting on hold all activities until June 2009 when it would be clear whether a good harvest was expected and also the government's position on the market prices. Later, the WRS committee met and discussed the viability of resuming the warehouse receipt program for the 2009/10 season.

EAGC identified key areas where WRS could be established based on the expected production of maize. Insufficient rainfall during the initial stage of the main cropping season (March-April) was likely to have hindered crop growth, causing another poor harvest. However, maize production was favorable in western maize growing regions bordering Lake Victoria, which received near normal rainfall from March to June. Also parts of Transzoia (Kitale) and Nandi North (Mosop, Aldai and Lessos) areas were expected to get a good crop this year.

NCPB and Export trading Company availed their stores for certification. The process of certification went on well with two credible inspectors-SGS and Bureau Veritas commissioned to undertake the inspections.

NCPB availed thirteen (12) sites for certification but our main focus was Eldoret, Kitale, Bungoma and Moi's' bridge sites. These sites were not able to comply with our standards by the time the season was starting and the process of working on non-conformities delayed the certification. Export Trading Company availed 2 warehouses in Eldoret and Kitale, all with a capacity of 7000MT. The certification of the Export Trading Co.Ltd stores was finalized in December 2009.

iii) Identify and promote participation of FBOs in WRS activities

A number of farmer based organizations had prepared to use the Warehouse Receipt System in the 2009/10 maize season. The responses of all farmer groups in respect of WRS were quite positive despite the challenges faced in the system. Among the challenges faced were:

1. Export trading Kitale is not ready with the comprehensive insurance cover. One insurance cover had to be sourced outside the country.
2. Use of manual maize cleaner at Export Trading store that raised a problem of delaying the trucks delivering maize. Maize had to be cleaned first then put in truck for weighing. Cleaning of 100 bags could take about one hour.
3. High moisture content-Reducing grain moisture to 13.5% was rather impossible to farmers during the rainy seasons. The available driers owned by NCPB and private operators were costly. There were no driers at Export Trading warehouses.
4. Farmers lack community stores which could otherwise be used as the consolidation centers before transporting the grains to warehouses. Instead farmers stored bulked maize in houses unsuitable for storage.

5. Small scale farmers found the system could not raise the recommended minimum quantities to get a receipt. Some farmer groups don't trust each other so the issue of bulking could not apply.
6. Transporting the small quantities of grains to warehouses was expensive to small scale farmers due to distance and poor road network. For instance some are located about 70 km from the warehouses.

Farmer groups expected to participate in WRS in 2009.

| NAME | REGION | VOLUME OF MAIZE(90 KG BAG) |
|-----------------------|-------------|----------------------------|
| NOIGAN GROUP | Trans Nzoia | 500 |
| KACHIBORA | Trans Nzoia | 200 |
| KIUNGANI | Trans Nzoia | 100 |
| BIDII | Trans Nzoia | 500 |
| SEUM | Trans Nzoia | 400 |
| KIPKAREN SALIENT | Uasin Gishu | 3000 |
| NAIBERI | Uasin Gishu | 800 |
| TEMU-YUYA | Trans Nzoia | 80 |
| SIBANGA | Trans Nzoia | 100 |
| TURBO GROUP | Uasin Gishu | 300 |
| SOY GROUP | Uasin Gishu | 120 |
| EXPECTED TOTAL | | 6100 |

iv) Training of trainers and warehouse operators on WRS

To increase the awareness of WRS to farmers, EAGC trained 18 officers of KMDP, CGA, KENFAP and Ministry of Agriculture. This was the 2nd training workshop following one held in April 2008. The focus of the training was WRS and EAGC trade Link. The trainees were taken through WRS process viz; bulking and deposit of maize, financing and selling of maize/transfer of warehouse receipts. Also, a demonstration on EAGC trade link was done to accustom the officers on opening the accounts and posting offers to sell on behalf of farmers.

EAGC organized a WRS training workshop for warehouse operators. The 2 days event was a capacity building process aimed at educating the management team and warehouse operators of National Cereal and Produce Board (NCPB) and Export Trading Company, about Warehouse Receipt System (WRS) and how it can apply and impact in the grain market. NCPB is the largest warehouse operator spread across the country while Export Trading is one of the largest grain trader in the region; hence their participation would enable access to WRS and WRF services to farmers. Developing successful commodity exchange must begin from warehousing, thus the need to train warehouse and depot managers.

The participants were taken through the role of EAGC as the sector regulator, intended to create better knowledge for the managers most of whom are on the ground where implementation processes take place. An overview of cereal production cycle, regional trade flow and its relationship to warehouse receipts financing, took the delegates through the maize production cycle in Kenya and emphasized the need for adequate information on maize calendar across the region.

Warehouse Receipts Financing and security; Parties involved in WRF contracts; Warehouse Receipt as a security document for lenders – documentations, flow of documents, and documents custodians, the process of converting grains into an asset based financing structure from GRN to Warehouse Receipt and Consolidation and bulking for smallholder farmers to benefit from the system were also important topics that delegates were taken through.

The training on WRS could not be complete without bringing in the topics on process of borrowing against warehouse receipt and the participation of "Insurance services" that guarantees the depositors and banks

against losses. This was to make delegates understand Warehouse Receipts Financing process and requirements; insurance principles and the limitation of covers.

v) Regional baseline survey and performance monitoring

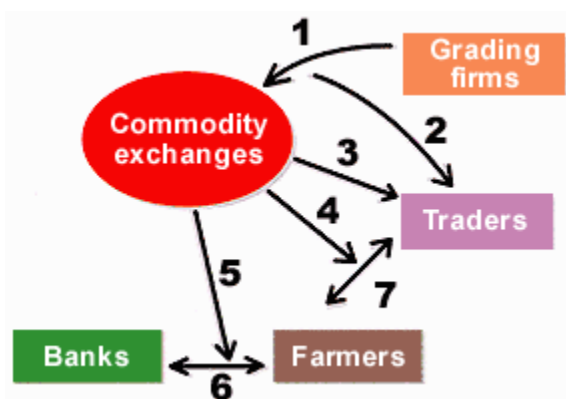
To aid implementation of program components, EAGC established a Performance Monitoring Plan (PMP) with an objective of establishing a tool for managing programme activities which will ultimately lead to the attainment of the programme objectives. Through the PMP, it is envisaged that timely and consistent monitoring of the implementation process will occur.

To make a credible judgment about the progress and impact of the EAGC program activities, a baseline study on the selected indicators against which to measure results at different points in the life of the program was completed in November 2009. The objective of the assignment was to establish the current baseline information on the above indicators relative to the project outcomes established in the Project document. The design, execution and analysis of the survey were assigned to East Africa Development Consultants (EADEC).

vi) Towards establishment of a commodity exchange

EAGC and NCPB have been gearing towards establishing a COMEX in the region. Commodity exchanges in the Eastern Africa region can be very useful and viable, but only when tailored to the real needs of the countries. EAGC, National Cereals and Produce Board (NCPB) and development partners have been engaged in study tours in order to identify and delineate the most suitable role of exchanges, their vital experience and strategic alliances. The study tours have been very helpful since it was learned that with the liberalization of agricultural trade, a need for price discovery and physical trading mechanisms emerge- a need that can be fulfilled by commodity exchanges. Properly regulated, commodity exchanges can contribute greatly to the achievement of government economic and developmental goals. They can also strengthen the bargaining power of weak groups such as small farmers.

The Kenya delegation visited India, South Africa and Ethiopia where commodity exchanges have been deemed successful.



- 1: All products delivered to the exchange are graded
- 2: More security about quality
- 3: Marketing flexibility
- 4: Better price information
- 5: More security about the value of collateral
- 6: Credit
- 7: Negotiation

vii) The 3rd African grain trade summit 2009

EAGC hosted the 3rd African Grain trade summit on 5th-6th November 2009. The summit themed- "*linking farmers to markets: stimulating agricultural productivity in Africa*" attracted 184 delegates from Africa attended the 3rd Africa Grain Trade Summit held in Dares Salaam, Tanzania. The summit sought to push for the formalization of structured trading in Africa as a way of fighting perennial food shortages and it provided a forum for African and global grain community that discussed and recommended solutions to policy, regulatory, bottlenecks in agriculture and finance that impede trade in grain products.

EAGC teamed up with a number of private sectors, donor community and government agencies to organize the event that provided a forum for African and global grain community to discuss and recommend solutions to policy, regulatory, bottlenecks in agriculture and finance that impede trade in grain products. Nevertheless, the meeting exposed African grain practitioners and suppliers to new technologies and ideas for better efficiency and quality. This summit was held at a time when most African countries were still gripped with severe food shortages whose effects are affecting local economies.

The summit participants proposed that EAGC focuses on the following priorities in the next two years:

- ❖ Collaboration with farmers to ensure that they take farming as a business;
- ❖ Seeking better markets for farmers;
- ❖ Ensuring better governance of the grain sector. All stakeholders must perform their respective roles;
- ❖ To support reduction of post harvest losses and efficient operation of warehouse receipt systems
- ❖ To collaborate with governments and donor agencies to ensure that new techniques are disseminated to farmers and adopted through developing a systematic approach to technology transfer and usage along the entire grain value chain.
- ❖ To enhance capacity building and advocacy across the value chain and enhancing awareness particularly on trade policies and harmonisation of quality standards.
- ❖ Engage the government in dialogue on the best policies and advocate for the necessary legislations. This can be achieved by empowering farmers and farmer groups along the value chain so that they are able to lobby governments to change policies, particularly on the liberalization of trade within the region.
- ❖ Engage other stakeholders in enhancing capacity of collateral management to reduce costs on warehouse receipt systems.

After deliberating on the ways of stimulating agricultural productivity in Africa and linking farmers to markets, the participants in the 3rd African Grain Trade Summit hereby recommend that:

- In order to increase intra-regional trade, all existing non-tariff barriers which have been hampering trade be removed;
- EAGC and COMESA, together with other regional and other local trade institutions urgently spearhead harmonization of standards for various commodities traded within the East and Southern Africa region;
- Governments in the region, together with EAGC, COMESA, EAC and other regional institutions move rapidly towards development of regional food balance sheets;
- Export bans and import restrictions for cereal products in the region be removed. Evidence suggests that the bans and restrictions are counter-productive and only serve to encourage informal cross border trade. They should be removed unless where it is proven that there are insufficient regional food stocks;
- Governments in the region work together with private sector and development partners to harmonize regulatory frameworks for effective and efficient operation of warehouse receipt system and commodity exchanges across the region;
- Individual countries be supported in developing sustainable WRS and commodity exchanges. Governments and players in the East African agricultural sector should however seriously consider establishing a single commodity exchange;
- Players and donors in the cereal sector increase support towards training on grain trade and development of sustainable warehouse receipt system and commodity exchanges in the region;

- Players in emerging commodity exchanges in the region collaborate with well established commodity exchanges such as SAFEX to provide capacity building attachment programmes for their operators;
- Banks be more actively engaged in financing agriculture through structured financing;
- Farmers and players in the grain sector should make use of available tools (e.g. agricultural insurance) to manage risks and ensure sustained and enhanced returns for their produce;
- World Food Programme expands its P4P programme to enable increased uptake of cereals from ESA region;
- Governments should stop unnecessary market interventions and avoid directly subsidizing financing for agricultural production. Where such programmes are necessary, they should be channeled to farmers in collaboration with financial institutions;
- Farmers in the region be encouraged to utilize innovative technologies, including irrigation, green house, storage and new high yielding crop varieties, to stimulate agricultural productivity;
- There should be increased awareness on advantages and disadvantages of genetic engineering as one of the tools of stimulating agricultural productivity. Farmers should be encouraged to utilize such technologies if all safety concerns are addressed.

viii) **8th annual maize business fair 2009**

The principles of the Maize Business Fair emphasize participation, collaboration, networking, partnership and innovation-all for a common purpose of establishing and strengthening linkages amongst players in the maize and dairy value chains. The 2009 fair held at Chepkoilel Campus –Eldoret, was organized by the USAID’s funded Kenya Maize Development Program (KMDP), Eastern Africa Grain Council (EAGC), Cereal Growers Association (CGA) and Moi University. The theme of the fair was “Opportunities for Recovery and Growth” which represented the partners’ and sponsors goals of seeking opportunities in the market environment. The business fair attracted about 20,000 farmers and 70 exhibitors. The fair gave EAGC an opportunity to interact with grain stakeholders especially the farmers. It was also a good opportunity to create more awareness on Warehouse receipting and trade link services offered by EAGC. As an outcome 29 farmer groups registered to join EAGC as Recorded Affiliates.

ix) **Improving the functioning of commodity markets in Eastern and Southern Africa(ESA)**

On 30th September to 2nd October 2009, practitioners of WRS and COMEX, including especially the national partners of EAGC, policymakers in the ESA region, and donor representatives and development partners (UNCTAD, COMESA, USAID, USAID/COMPETE, WFP, AFD and FAO) participated in a successful WRS workshop organized by EAGC in conjunction with UNCTAD and COMESA with the support of USAID COMPETE and the European Union. The workshop entitled “Improving the functioning of commodity markets in Eastern and Southern Africa through Warehouse Receipt System (WRS) and market based interventions” brought together 148 participants. The workshop was expected to build capacity of key stakeholders in advancing WRS and commodity exchanges in close collaboration with regional organizations. It provided a forum where evidence-based lessons and experiences were shared. Its main objective was to strengthen the capacity of private and public stakeholders to develop a viable WRS and commodity exchanges as well as other related market institutions which will improve the functioning of agricultural markets in eastern and southern Africa.

After deliberating on the functioning of commodity markets in the ESA region, and considering a review of experience in promoting Warehouse Receipts Systems (WRS) and Commodity Exchanges (CE) as well as agricultural sector development programmes in the region, the participants noted that:

- Governments in the region, with support from various development partners, including USAID, the EC, the World Bank, FAO, AGRA and others, are actively engaged in agricultural development programmes within the framework of, and which can significantly contribute to achievement of, the goals of CAADP;
- Output market inefficiencies, which squeeze producer margins and increase consumer prices, constrain sustained growth in agricultural productivity and output, thereby limiting capacity to enhance food

security, particularly, in the light of recent global food crisis which make continued dependence on food imports unsustainable;

- These two market-supporting institutions (WRS and CEs), though by no means a panacea for all the weaknesses in the agricultural sectors in the region, have the potential to improve the functioning of agricultural markets by improving price formation, market transparency, and regional trade, thereby raising farm output and rural incomes as well as enhancing food security;
- Significant progress has been made in piloting WRS in some countries, including in particular Tanzania (for export commodities such as coffee, cotton and cashew and which is gradually being expanded to include food crops such as maize and rice) and in Madagascar (an inventory credit system for rice linked to micro-finance institutions), while nascent commodity exchanges are being developed in Ethiopia, Uganda, Zambia and Malawi;
- However, the overall development of these market-supporting institutions has been hampered by institutional weaknesses, capacity constraints, inadequate physical infrastructure, uncertainty in the legal and regulatory framework which has, in particular, made it difficult to engender confidence in the systems by financial institutions, and disabling policies, which are often not consonant with free trade agreements adopted by governments in the region;
- With concerted efforts by private sector practitioners, governments and the development partners, these constraints can be addressed, thereby significantly improving prospects for successful development of these systems.

6. REGIONAL GRAIN TRADE POLICY ENVIRONMENT & RESEARCH

▪ National consultative meeting to arrive at national position held in Kenya

USAID-COMPETE in partnership with the EAGC held a successful workshop on 4th December 2009 in Kenya, that brought together Kenyan grain stakeholders including the EAGC, CGA, KEBS, Ministry of Agric, Export Trading Company among others to deliberate on how to fast track the adoption of maize standards in the EAC region.

Workshop objectives:

1. To create awareness of EAC standards.
2. To learn how to apply these standards.
3. To learn the skills of testing these standards
4. To design approaches /methodologies of implementing the standards

Workshop expectations:

- Need to agree on specific maize standards as well as other grains.
- How to incorporate the standards in the framework of Genetically Modified Organisms (GMOs).
- Design mechanisms of communicating these standards to producers (mostly small scale farmers).
- Identify instruments of enforcing the standards.
- Identify what hinders farmers from adopting and maintaining standards.
- Emphasize the importance of these standards by pinpointing the benefits of adoption to the whole value chain.
- How to promote good standards through proper production practices.
- Identify the incentives to motivate farmers to adopt these standards and identify the roles of all stakeholders in enforcing these standards.

At the end of the workshop, it was unanimously agreed there was need to

- a. Set up a working group which would guide the process of implementation of the EAC standards.
- b. Participants unanimously agreed on the recommendation that AIRC be facilitated by USAID-COMPETE to carry out the following tasks;
 - Design Training of Trainers (ToT) programs
 - Develop training materials
- c. Select members of the said working group who would promptly take up the mandate. On this note the following were selected as stakeholder representatives.

▪ Ministers of trade endorse the simplified trade regime at COMESA meeting.

EAGC was one of the key stakeholders represented at the just concluded high level Ministers of Trade Meeting. The forum's aim was to deliberate on the adoption of new rules that will regulate trade under the Simplified Trade Regime (STR) that is hoped will help tap more than USD 7.5 billion that is traded informally among the small scale traders across the regional borders.

The meeting which was organized under the auspices of the COMESA Secretariat and brought together technical experts involved in trade from the 19-member Comesa bloc, recognized cross border trading(CBT) as an important source of employment and as an income-generating activity that sustains livelihoods. The STR seeks to address the complicated customs and certification procedures that have largely contributed to the huge untapped trade potential.

During the preparatory session held on 21st October, Kenya's Minister for Trade Mr. Amos Kimunya said in a speech read on his behalf that 'Kenya was endorsing the STR in recognition of the fact that it was important in facilitating trade and reducing poverty.'

At the Ministerial Session on 23rd October 2009, which was graced by Kenya's Deputy Prime Minister and Minister for Finance Mr. Uhuru Kenyatta, a number of speakers took time to underline the importance of the simplified rules in enhancing trade in the region. In his openings remarks, Mr. Uhuru Kenyatta observed that although current trade stood at USD15 billion, there was still a lot of untapped potential to increase trade that would have direct benefits especially to women and the youth and build economies across the board.

In a final Communiqué, the following recommendations were adopted by the Ministerial Session:

- ☞ That the Comesa secretariat should hasten (fast track) the ongoing work on harmonization of standards and Simplified procedures (SPS) possibly by June 2010.
- ☞ That in hastening the process of harmonization, the SPS (simplified procedures) and Standards Technical Committees should develop simplified procedures to facilitate cross border trade for eligible products under the STR.
- ☞ That a meeting of a team of Regional Customs Experts be convened by end of November 2009, to assign HS codes to the agreed common lists of products and develop guidelines for the use of STR.
- ☞ That in the implementation of the above recommendation, the secretariat will collaborate with USAID funded COMPETE project.
- ☞ That the Secretariat provides a Specimen Simplified Certificate of Origin and Simplified Customs document within 30 days to all participating MS.
- ☞ That the Secretariat hastens the process of collaboration with EAC on harmonizing the STR and a progress report be provided by June 2010.
- ☞ An annex report giving the list of products that would fall under the STR was provided after being endorsed by the respective country delegates.

Moving forward it was agreed that there may be need to continually revise the trade volume threshold (currently set at USD500) as traders continue to expand their businesses.

Among those in attendance during the adoption of the report included Ministers for Trade for Uganda, Rwanda and Senior Trade officials from DRC, Burundi, Sudan and Zambia.

▪ EAGC in the national working group on the implementation of COMESA Simplified Trade Regime (STR).

EAGC became one of the stakeholders in the national working group on the implementation of COMESA simplified trade regime (STR) in Kenya. Among other stakeholders are; Ministry of Trade, Ministry of Agriculture, Kenya National Chamber Of Commerce & Industry (KNCC&I) Export Promotion Council (EPC) Kenya Bureau of standards (KEBS), Kenya National Bureau of Statistics (KNBS), Kenya Revenue Authority (KRA), and Kenya Plant Health Inspection Services (KEPHIS).

A meeting was held on 8th Dec.2009 where the following deliberations were made:

Item 1: Implementation of COMESA STR activities shall be funded through two programs namely Cross Border Trade Reform (CBT Reform) and USAID COMPETE.

Item 2: Standards institutions such as KEBS and KEPHIS to come up with simplified and harmonized standards based on the HS Codes of the identified products; there is need for consultative meetings with the counterparts in the other member states

Item 3: Formation of Cross Border Trade Associations for Implementation of COMESA STR

There is need to form cross border associations at identified border posts of Nadapal, Kapweta (Kenya/Sudan border), Malaba and Busia (Kenya/Uganda border). The meeting resolved that in the an effective umbrella association at some borders need to be formed using the already existing associations though EAGC and the Ministry of Trade through its field services officers (District Trade Development Officers) and the KNCC&I could team up towards the recruitment of more CBTAs.

The meeting was also informed that KNCC&I recently signed an MOU with the Southern Sudan Chamber of Commerce and Industry; hence one of the forum through which the implementation of COMESA STR could be fast tracked.

Item 4: Work Plan and Budget Estimate on the Implementation of COMESA Simplified Trade Regime (STR)

A subcommittee had earlier been formed and tasked to come up with a work plan and budget estimate. The meeting proposed that the following activities be given priority in the work plan:

- (i) A visit to the Kenya/Sudan border posts of Kapweta and Nadapla should be incorporated in the plan prior to the launch of COMESA STR.
- (ii) Use of local FM (vernaculars) and road shows with banners for a wider audience and immediate publicity at the border.

Members agreed that the plan for launching of COMESA STR at the border should incorporate the officials from Sudan and COMESA Secretariat for ownership. The meeting also agreed that once the plans are accomplished, COMESA Secretariat should be informed to communicate the same to Sudan.

It was proposed that to facilitate successful launch, the Sudan Focal Point contact person could be communicated to. In the same strength, members observed that logistics to facilitate such luncheon could also be undertaken by the Division of Bilateral Trade in the Department of External Trade.

■ **Science and innovations for African agricultural value chains consultancy**

EAGC in partnership with Meridian Institute—along with several partner organizations—organized a two-week field trip to Kenya and Ghana where they facilitated conversations among local cassava, dairy, and maize farmers and processors, local value chain experts, and a team of 11 respected scientists from around the world. The purpose of the trip was to generate ideas for new technologies and technology enhancements that could reduce inefficiencies in the cassava, dairy, and maize value chains in Africa.

The project searched for opportunities to develop technologies that:

1. Complement and support other efforts to improve value chains in Africa (including other technology-focused initiatives, but – importantly – projects that are focused on policy, legal, institutional, market, and socio-economic issues)
2. Are technically, socially, and economically feasible.

The project focused on technologies for cassava and maize and targeted technology applications along the dairy value chain and mainly innovative technology options that would add significant value for smallholder farmers (i.e., those farmers earning \$1 - \$2 per day) by reducing primarily post-harvest inefficiencies in these value chains in Africa. A follow up meeting was held in Seattle, USA where the EAGC Executive Director, Ms Kandie represented the council. The meeting brought together the maize, cassava and dairy representatives as well as the team from

Meridian institute and Bill & Melinda Gates Foundation to deliberate on the conceptualized technology opportunities.

6.0 SUMMARY OF THE BENCHMARKS, RESULTS, TARGETS AND LEVEL OF ACHIEVEMENTS

| Activity/Tasks | Results | Benchmarks/Targets | Level of Achievement % |
|--|--|--|------------------------|
| Institutional Strengthening | | | |
| Administration & Operations | | | |
| Produce monthly management report | Monthly reports produced | Report produced by 10 th of the following month | 90 |
| Produce quarterly activity and financial reports | Quarterly report produced | By 10th day of the next month after the quarter | 90 |
| Issue new contracts to Border and Price Monitors and pay them under EAGC | New contracts for border and price monitors issued and paid | Contracts issued to border monitors for 2 nd qtr June – Sept.09 and paid. New contract issued in January 2010. | 100 |
| Advertise and recruit Program and Admin staff | Program and Admin staff recruitment held up until Oct.09. Adverts ran and recruitment done between December and February 2010. | Program and Admin staff recruited by September 2009 safe for the Finance Assistant, Receptionist and Admin Assistant whose process is ongoing. | 95 |
| Approval and adoption of EAGC Finance and Admin policies | Finance and Admin policies approved. (Human Resources and Finance Manuals) | Finance and Admin policies approved by the board by 30 th September 2009 | 100 |
| Corporate Issues | | | |
| Hold Board meetings | <ul style="list-style-type: none"> Board meeting held on 30th 31st Aug 09 and 16th Sept. 2009 4th November 2009 22nd January 2010 | Board held every quarter | 100 |
| Finalize a study on Maize Value Chain focusing innovations to help small scale farmers | EAGC partner with Meridian Institute on Maize Value Chain Analysis | A field trip and several meeting held by 20 th August 2009 another was held in January –February 2010. The data collection ongoing. | 100 |
| Review warehouse inspection quotations and appoint the successful company, and warehouses inspected. | Warehouse quotations from Bureau Veritas and SGS submitted by 30 th Sept.09 | Inspection companies reviewed and appointed and warehouses inspected by 30 th Sept.09 | 60 |
| Certify new warehouses | NCPB and Export Trading | Warehouses certified by | 40 |

| | | | |
|--|---|---|-----|
| | Company availed for certification and certified IN January 2010. | 15 th October 09 | |
| Sign contracts with warehouses and the bank on warehouse receipt system | Financing contract with Equity bank signed and agreement with Warehouse Operator signed | Financing contract and warehouse contracts signed by 1 st October 2009 | 0 |
| Train farmer groups on WRS in maize growing areas. | WRS farmer trainings to start in October 2009 | Farmers trained in preparation for WRS in 2009 season. Another training conducted in November 2009 at Holiday Inn | 40 |
| | | | |
| Convene Board Committee meetings to review the progress of program components | Board committees met and reviewed the progress of various components of the program | Respective board committees (MIS, STS, funding ,PPP/Policy) meet and review the progress of program activities by 30 th Aug.09 | 60 |
| Hold workshop farmer groups in Eldoret and its environs on EAGC Trade Link | A workshop on EAGC Trade Link held in Eldoret on 28 th July 09 where 64 participants attended. | Workshop in Eldoret on Trade Link held by 30 th august 2009 | 100 |
| Membership Development | | | |
| Membership Recruitment | | | |
| Increase membership through close linkage with stakeholders at regional trade meetings | 3 new members recruited in TZ, 1 UG and 0 Kenya | Recruit new members in Kenya (3), Uganda (3), Tanzania (2) during the meetings by 30 th March 2008 | 40 |
| Launch EAGC in Uganda and Tanzania and gain stakeholder awareness | EAGC launched in Uganda on 31 st Jan 08. Tanzania to be launched in May 08 | EAGC launch made in Uganda and Tanzania by 26 th February 2008 | 70 |
| Promote the council and retain old members | Membership renewal notices sent and most remittances received | Mail to old members and send membership renewals in time for AGM in April 2008 | 80 |
| Marketing EAGC and its Services | Members kept updated through emails, Ratin bulletin and on website | EAGC marketed via newsletters, Ratin bulletin and website | 100 |
| Maintain and keep updated the RATIN website | Ratin updated and prices regularly posted | RATIN website maintained on daily and weekly basis | 100 |
| Produce and circulate widely the monthly RATIN bulletin | Monthly Ratin bulletin produced and widely circulated | RATIN bulletin produced monthly | 100 |
| Produce quarterly EAGC Grain News | Grain newsletter yet to be produced. | EAGC Grain news produced by 15 th Oct. 2009. Supplier identifies and printing on process y February 2009. | 50 |

